

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST)	
ADJUSTMENT FILING OF VALLEY)	CASE NO. 89-103-D
GAS, INC.)	

O R D E R

On November 9, 1989, the Commission issued its Order in Case No. 89-068 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On September 10, 1992, Valley Gas, Inc. ("Valley") filed its quarterly gas cost adjustment ("GCA"), which was to become effective October 10, 1992 and was to remain in effect until January 1, 1993. On September 25, 1992, Valley filed to further adjust its rates based on a supplier notification that its rates for October 1, 1992 were to increase substantially.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Valley's notice of September 25, 1992 set out certain revisions in rates which Valley proposed to place into effect, said rates being designed to pass on to its customers its wholesale increase in gas cost from its supplier. Valley's proposed expected gas cost ("EGC") was not based on the correct supplier cost for October 1, 1992. Using the rate for Small Gas Customer Service

contained in Texas Gas Transmission Corporation's tariff effective October 1, 1992, the resulting EGC beginning October 25, 1992 is \$4.0046 per Mcf.

2. Valley's notice contained no refund adjustment.

3. Valley's notice set out a current quarter actual adjustment in the amount of 5.46 cents per Mcf to compensate for under-recovery of gas cost by the company through the operation of its gas cost recovery procedure during the months of April, May, and June 1992. The total actual adjustment of 20.80 cents per Mcf is designed to correct the current under-collection as well as under- and over-collections from previous quarters.

4. The combined effect of the above adjustments is Valley's gas cost recovery rate ("GCR") in the amount of \$4.2126 per Mcf, which is an increase of \$1.4737 per Mcf from its last approved rates.

5. Valley's corrected adjustment in rates, set out in the Appendix to this Order, pursuant to the GCA provisions approved by the Commission in its Order in Case No. 89-103 dated November 9, 1989 is fair, just, and reasonable, in the public interest, and should be effective with service rendered on and after October 25, 1992.

IT IS THEREFORE ORDERED that:


1. Valley's proposed adjustment in rates be and it hereby is denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective with service rendered on and after October 25, 1992.

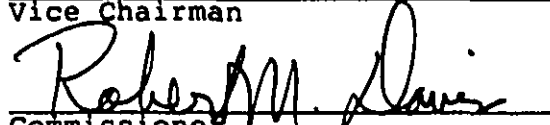
3. Within 30 days of the date of this Order, Valley shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 23rd day of October, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 89-103-D DATED October 23, 1992.

The following rates and charges are prescribed for the customers served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Customer Charge			\$3.40
All Mcf	\$1.0628	\$4.2126	\$5.2754